

The Minnesota Project

Strong Local Economies, Vibrant Communities, and a Healthy Environment
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October 26, 2004

Burl Haar, Ph. D.
Executive Secretary
Minnesota Public Utilities Commission
121 East Seventh Place, Suite 350
St. Paul, MN 55101-2147

RE: Invenergy Power Purchase Agreement
PUV Docket No. E00/M-04-1426

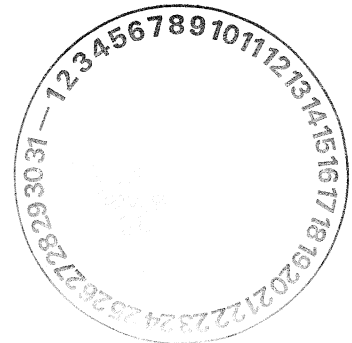
Dear Dr. Haar:

The Minnesota Project would like to respectfully offer the following comments on the power purchase agreement between Xcel Energy and Invenergy for the Cannon Falls generating facility.

Recently the Minnesota Project and the Minnesota Soybean Growers Association submitted comments in the Calpine-Mankato Energy Facility Environmental Assessment and Certificate of Need proceedings (PUC Docket No. IP6345/CN-03-1884). In that proceeding, we argued that using low concentration biodiesel blends in lieu of straight fuel oil is a minimum but prudent renewable alternative to the project as proposed. The Minnesota Project similarly urges the PUC to consider and support the use of biodiesel in the Cannon Falls energy facility.

Minnesota statutes create a framework of public policy that promotes, encourages, facilitates and in some cases requires the use of renewable energy resources. These statutes include the Renewable Energy Objective (MS 216B.1691), Certificate of Need (MS 216B.243), Resource Planning (216B.2422), the Prairie Island wind power and biomass mandates (MS 216B.2423 and MS 216B.2424), establishment of green power programs (MS 216B.169) and CIP fund allocation to Distributed Energy Resources (MS 216B.2411). In addition the Minnesota Statute has established a policies that have sought to ensure the use of biofuels, ethanol (MS 239.791) and biodiesel (MS 239.77) in internal combustion engines. It is appropriate for the PUC to consider this overall body of law and policy in examining the Invenergy/Cannon Fall PPA with Xcel Energy.

Use of low concentration biodiesel blends will pose no undue technical difficulties. Kent Morton testified on behalf of Calpine Corporation that *"there do not appear to be any technical reasons that biodiesel cannot be used in such application [combustion turbines] in blended form."* (Direct Testimony of Kent J. Morton on Behalf of Mankato Energy Center, LLC, OAH Docket No. 6-2500-15869 – EQB Docket No. 04-76-PPS-Calpine, page 33). While there



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were a series of issues raised by Mr. Morton in his testimony, those issues pertained to high concentration blends or straight biodiesel. The Minnesota Soybean Growers Association comments of July 22, 2004 in that same docket rebutted the technical concerns raised. Low concentration blends, will perform well within the specifications of turbine fuel. We recognize that the project proposer may object "because it has not been done before". However, if the fuel meets specifications we believe that it represents no technical risk to the plant.

Use of low concentration biodiesel fuel will also have virtually no cost impacts on the overall cost of the energy delivered. With natural gas as the primary fuel and a biodiesel blended fuel used as a back up fuel, the total portion of the biodiesel used in the facility will only be few percent of a few percent. As such, the traditional price premium of about one penny per each percent of biodiesel blended with fuel oil will be negligible in this project.

We recognize that this will create a very small incremental market for biofuels, and with a resulting limit to the overall benefits. However, the approach has negligible costs and risks. More importantly this approach allows establishes a growing record of technical and economic feasibility that will allow the electric power industry to ramp up use of biodiesel in concert with expanding production capacity.

We believe that PUC would be advancing the goals of Minnesota's renewable energy policies by directing the PPA to include a biodiesel content for all fuel oil used at the plant. At the very least the PUC should be consistent in the treatment of Invenergy and Calpine-Mankato Energy Center. In the issuance of the Calpine-Mankato Energy Center Certificate of Need, the Commission adopted the following language in its order:

Mankato Energy shall honor its commitment to make its testing facilities available for testing and evaluation of fuels and to work with those interested in order to continue to investigate the technical feasibility and economic viability of the use of a biodiesel blend for those times when the facility does not have access to natural gas as fuel.

The Minnesota Project would suggest at the very least Invenergy be held to similar levels of commitment to evaluating biodiesel blended fuels as it has imposed upon Calpine

Thank you for your attention to and consideration of these comments.

Sincerely,



Mark Lindquist
Energy Policy Specialist

CC: Service List
Mike Youngerberg, Minnesota Soybean Growers Assn.
Kent Morton, Calpine